



City of Detroit

OFFICE OF THE AUDITOR GENERAL

**Audit of
City Council's
Personal Services Contracts**

March 2005




City of Detroit
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MEMORANDUM

DATE: July 5, 2005
TO: Honorable City Council
FROM: Joseph L. Harris
Auditor General 
RE: Audit of Personal Services Contracts
City Council
C: Mayor Kwame M. Kilpatrick

Attached for your review is our report on the audit of Personal Services Contracts of the Detroit City Council.

This report contains our audit purpose, scope, objectives, and methodology; background; our audit findings and recommendations, lists of personal services contractors; and the Council Member's responses, if provided.

We appreciate the assistance we received from City Council Members, staff, and the personal services contractors.

Copies of all the Office of the Auditor General reports can be found on our website at www.ci.detroit.mi.us/legislature/CharterAppointments/AuditorGeneral.

Audit of Personal Services Contracts

City Council

March 2005

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
AUDIT PURPOSE, SCOPE, OBJECTIVES, AND METHODOLOGY	3
BACKGROUND	4
FINDINGS AND RECOMMENDATIONS, LISTS OF PERSONAL SERVICES CONTRACTORS	
Council President Maryann Mahaffey	
No Reportable Findings and Recommendations	5
List of Personal Services Contractors	5
Council President Pro Tem Kenneth V. Cockrel, Jr.	
No Reportable Findings and Recommendations	6
List of Personal Services Contractors	6
Council Member Alonzo Bates	
Findings and Recommendations	
1. Contractors' Time Reports Contained Inaccurate Information	7
2. Contractor Was Paid for Performing Campaign Related Work	9
3. No Evidence of Work Performed for Six Contractors	10
List of Personal Services Contractors	11
Council Member's Response	Attachment A
Council Member Sheila Cockrel	
No Reportable Findings and Recommendations	12
List of Personal Services Contractors	12
Council Member Barbara-Rose Collins	
Findings and Recommendations	
1. Contractors' Time Reports Contained Inaccurate Information	13
List of Personal Services Contractors	14
Council Member's Response	Attachment B

Late Council Member Kay Everett

Findings

1. Contractors' Time Reports Contained Inaccurate Information 15
2. No Evidence of Work Performed for Eleven Contractors 16

List of Personal Services Contractors 16

Council Member Sharon McPhail

No Reportable Findings and Recommendations 17

List of Personal Services Contractors 17

Council Member Alberta Tinsley-Talabi

No Reportable Findings and Recommendations 18

List of Personal Services Contractors 18

Council Member JoAnn Watson

Findings and Recommendations

1. Contractors' Time Reports Contained Inaccurate Information 19

List of Personal Services Contractors 20

Council Member's Response Attachment C

City Council Human Resources

Findings and Recommendations

1. Contractors Paid More Than Contract Amount 21
2. Contractor Paid for More Hours Than Hours on Time Reports 22
3. Lack of Procedures for Reporting Contractor Hours Worked 23

EXECUTIVE SUMMARY

The Auditor General initiated this audit in response to a request from the City Council President and President Pro Tem to audit City of Detroit personal and professional services contracts. This report is the first audit report resulting from the request and focuses solely on City Council personal services contracts in effect as of December 6, 2004. Additional reports will follow on other City departments and offices.

The personal services contracts description of deliverables and services were vague. As a result, we could not compare actual work performed to the contract. Instead we determined the contractor's scope of services from the Council Members or their designated representatives and verified that the services were actually performed. It was evident from our review of work product and interviews of the personal services contractors that most provided the contracted services expected by the Council Members. The City Council human resources staff receives the contractors' time reports from the Council Members and processes the payments accordingly.

We found no discrepancies for most of the contractors' performance, pursuant to the respective contracts. There were no reportable findings for the following Council Members: Council President Maryann Mahaffey, Council President Pro Tem Kenneth V. Cockrel Jr., Council Members Sheila Cockrel, Sharon McPhail, and Alberta Tinsley-Talabi. Although this report includes procedural findings for Council Members Barbara-Rose Collins and JoAnn Watson, we consider the findings reportable but otherwise insignificant because, in our opinion, the evidence of work performed justifies the payments made to the contractors. The audit identified significant issues concerning contractors for Council Member Bates and the late Council Member Kay Everett, and the processing of time reports by the City Council Human Resources Division:

Council Member Bates

- The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports or signed blank time reports before the date, time and number of hours were entered. As a result, there is no attestation by the contractors that the hours were, in fact, worked.
- Our audit determined that one of Council Member Bates' personal services contractors was paid to provide election campaign related services in addition to other duties.
- The Council Member did not provide evidence of work for six of twelve contractors. As a result, we could not determine whether these contractors provided appropriate services commensurate with reasonable expectations.

Council Member Collins

- The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors

did not always sign their time reports. As a result, there is no attestation by the contractors that the hours were, in fact, worked.

Council Member Watson

- The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports. As a result, there is no attestation by the contractors that the hours were, in fact, worked.

The Council Member informed us that the contractors were hired on a fee for service basis. Their compensation was based on work product and not hours worked.

Council Member Everett, Deceased

- The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports. As a result, there is no attestation by the contractors that the hours were, in fact, worked.
- The evidence necessary to determine that the personal services contractors performed work, was disposed of after the Council Member's death. As a result, we could not determine whether these contractors provided appropriate services commensurate with reasonable expectations.

Human Resources

- The City Council human resources staff did not always ensure that contractor payments did not exceed authorized contract amounts. As a result, seven contractors were paid a total of \$5,109 in excess of amounts authorized on the contracts.
- The City Council human resources staff paid one contractor for more hours than the total amounts due per the time reports submitted.
- The City Council has no written procedures for reporting personal services contractor hours worked. As a result, some of the contractors' time reports were inaccurate. In addition, the format of the time reports was inconsistent among Council Members.

We appreciate the assistance we received from City Council Members, staff and the personal services contractors.

AUDIT PURPOSE, SCOPE, OBJECTIVES, AND METHODOLOGY

Audit Purpose

This audit of the Personal Services Contracts of City Council was performed in response to a December 6, 2004 request from the City Council's President and President Pro Tem that the Office of the Auditor General (OAG) audit all the City's personal and professional services contracts that were in effect as of December 6, 2004. We were asked to include the following information:

- Names of contractors, scopes of contracts, length of contracts and contract amounts;
- Documentation/reports required by contracts; and
- Documentation of work performed.

Audit Scope

The OAG conducted an audit of all City personal services contracts for City Council effective as of December 6, 2004.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except that the OAG has not received an external peer review within the past three years.

Audit Objectives

The OAG conducted an audit of the personal services contracts of each City Council Member to determine whether personal services contractors:

- Actually existed.
- Provided services in accordance with the terms of their contracts.
- Were paid in accordance with the terms of their contract.

Audit Methodology

To accomplish the audit objectives, our audit work included the following:

- Interviews of City Council Members and personnel responsible for personal services contracts;
- Reviews of personal services contracts, payroll registers, contractor time sheets, and deliverables provided by contractors;
- Interviews of contractors;
- Verification of contractor existence;
- Other audit procedures considered necessary.

BACKGROUND

As provided by the City Charter, the City Council is the legislative body of the City of Detroit. It consists of nine members elected at large for a four-year term. Its functions include enactment of ordinances governing the City; a general monitoring of the executive branch's performance; review and approval of the City's budget; and other matters set forth in State laws, the City Charter, and City ordinances.

City Council Members budget appropriations for FY 2005 were \$731,813 for each member, which included five positions and \$1,006,251 for the President's Office, which included six positions. Council Members are authorized to use their Budget appropriations for personal and/or professional services contracts. Some council members have chosen to hire personal services contractors rather than hire full time employees. The City Council human resources staff receives the contractors' time reports from the Council Members and processes the payments accordingly.

Contract Scope of Services

The City Council personal services contracts scope of services was vague for all contracts and did not require specific deliverables or documentation to be submitted. As a result, we could not compare actual work performed to the standard scope of services in the contract. The standard scope of services in the contracts was:

"This agreement is a personal services contract between the contractor and the Council Member. The Contractor shall assist the Council Member in the performance of his/her duties as a member of the Detroit City Council. The Council Member may make assignments and regular duties as deemed necessary to ensure that the obligations of the office of the Council Member and the City Council are diligently performed. Additionally, this contract shall be performed in accordance with all federal, state, and local laws, City policies, rules, and regulations."

Because the description of services and deliverables was vague, we ascertained the contractor's scope of services from the Council Member or their designated representative.

COUNCIL PRESIDENT MARYANN MAHAFFEY

Findings and Recommendations

There were no reportable findings.

List of Personal Services Contractors

The Council Member employed seven personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Bentley, Autumn	LA	09/13/04-12/31/04	\$ 8,400	\$ 4,017	DNR
Guyton, Gersena	LA	11/01/04-06/30/05	\$ 12,250	\$ 3,150	Yes
Jones Scoggins, Cynthia	LA	07/01/04-12/31/04	\$ 19,968	\$18,688	Yes
Reosti, Marco	LA	07/01/04-12/31/04	\$ 19,008	\$11,592	Yes
Richardson, Krystal	LA	09/13/04-12/31/04	\$ 4,800	\$ 4,695	Yes
Robinson, Dawn	LA	07/01/04-12/31/04	\$ 20,064	\$15,364	Yes
Sibley, Ellen	BOR	02/16/04-12/31/04	\$ 9,800	\$ 8,600	DNR

LA = Legislative Assistant - Assists council member

BOR = Board of Review member

DNR = Did not select for review

COUNCIL PRESIDENT PRO TEM KENNETH V. COCKREL, JR.

Findings and Recommendations

There were no reportable findings.

List of Personal Services Contractors

The Council Member employed two personal services contractors at December 6, 2004. We were able to interview the contractor selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Johnson, Mattie	BOR	02/16/04-12/31/04	\$ 9,800	\$ 6,400	DNR
Moore, Ederl Edna	LA	08/01/04-07/31/05	\$ 42,491	\$ 17,978	Yes

LA = Legislative Assistant - Assists council member

BOR = Board of Review member

DNR = Did not select for review

COUNCIL MEMBER ALONZO BATES

Findings and Recommendations

1. Contractors' Time Reports Contained Inaccurate Information

The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports or signed blank time reports before the date, time and number of hours were entered. As a result, there is no attestation by the contractors that the hours were, in fact, worked.

We reviewed time reports for twelve personal services contractors and noted the following:

- Time reports for most of the contractors reported dates and time worked different than the dates and times of actual service delivery. The time and number of hours recorded were in error for at least nine of the twelve contractors. For example, one contractor's hours were recorded on the time report as 1:00 pm to 5:00 pm Monday through Friday, but the Council Member informed us that this contractor worked evenings and weekends. The contractor also informed us that the hours and dates recorded on her time reports were inaccurate. The contractor confirmed that she had another employer and worked for that employer during the days and time recorded on her City time reports. The contractor also indicated that she attended community meetings for the Council Member in the evenings and on weekends.

The Council Member's staff prepared the time reports knowing that the time reports contained inaccurate information. The Council Member cited a lack of procedures for preparing personal services contractor time reports as a reason for the errors.

- The Council Member required the personal services contractors to sign blank time reports before the time was actually worked. However, we reviewed forty-five time reports for one contractor and noted eighteen instances in which the time report was not signed in the contractor's handwriting. Council staff informed us that they only saw her during the summer and holidays even though time reports were prepared and submitted for other periods. We believe this to be a significant reportable condition.

Listed below is a summary of our findings for the twelve personal services contractors' time reports we reviewed.

Contractor Name	Sign Own Time report	Discrepancy
Arnold, Verenda G	Yes	Time and hours erroneously stated
Barber, Britni	No	Time and hours erroneously stated
Betts, Margaret	Yes	Time and hours erroneously stated
Cain, Frederick	Yes	Time and hours erroneously stated
Cartwright, Melvin	Yes	Time and hours erroneously stated
Evans, Dante	Yes	None
Holcomb, Camillien	Yes	Time and hours erroneously stated
King, George	Yes	Time and hours erroneously stated
Owens, Paulette	Yes	None
Stigler, Patricia	Yes	None
Warren, Lorraine	Yes	Time and hours erroneously stated
Williams, Regalyn	Yes	Time and hours erroneously stated

The City Council uses time reports to record the number of hours worked by contractors to facilitate the payment process. Personal services contractor payments are processed through the City's payroll system so that the withholdings can be made. Contractor prepared invoices, detailing dates worked and number of hours worked per day, could be utilized by Council staff to process payments through the City's payroll system. Finance Directive 50 – Standard Personal Services Contract allows for the use of invoices.

Best business practices recommend that contractors submit invoices for services performed which would include a description of services performed, dates worked, the number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the invoice. The Council Member responsible for the contract needs to review and sign the invoices to signify having verified services, hours, and amounts billed are in accordance with the contracts and were actually delivered. The Council Member should not approve contractor invoices that are not in accordance with the contract or contain services and hours that were not provided.

We recommend that the:

- a. Council Member require time reports or invoices detailing a description of services performed or, when applicable, dates and number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the time report or invoice to certify the accuracy of the information.
- b. Council Member approve time reports or invoices after verifying that services, hours, and amounts billed are in accordance with the contract and were actually delivered. Contractor time reports or invoices that are not in accordance with the contract or include services and hours that were not delivered should not be approved for payment.

2. Contractor Was Paid for Performing Campaign Related Work

One personal services contractor for the Council Member performed election campaign related work in addition to other duties. As a result, public funds were used to pay for campaign work in violation of the Michigan Campaign Finance Act.

One of the Council Member's personal services contractors documented in Daily Activities reports the performance of the following campaign related work:

- Made phone calls relative to contributions report...
- Worked on year-end contributions report...
- Picked up annual campaign contributions report ...
- Delivered campaign contribution report to Wayne County Clerks Office.

The Michigan Campaign Finance Act (Act 388 of 1976) prohibits an individual acting for a public body from using or authorizing the use of funds, personnel, office space, or other public resources to make a contribution or expenditure. In a publication, Miller, Canfield, Paddock, and Stone P.L.C., interpreted the Michigan Campaign Finance Act as preventing both elected and appointed public officials and public employees from electioneering while being compensated with public funds.

We recommend that the Council Member:

- a. Not pay personal services contractors to perform election campaign related work.

3. No Evidence of Work Performed for Six Contractors

The Council Member did not provide evidence of work for six of twelve contractors. The Council Member provided us with evidence of work performed for one personal services contractor. The Council Member also provided what appear to be a term paper to evidence work performed by another contractor. In addition, the Council Member provided us with a narrative prepared by four of the contractors describing the work performed. No evidence of work performed or narrative description of work performed was provided for the remaining six contractors. As a result, we could not determine whether these contractors provided appropriate services commensurate with reasonable expectations.

Best business practices recommend the documentation of work performed under the contract.

We recommend that the Council Member:

- a. Obtain documentation of deliverables and other work performed under the contract.
- b. Retain deliverables and documentation including general correspondence and memorandum produced under the contract in a contract file for a reasonable period of time.

List of Personal Services Contractors

The Council Member employed thirteen personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review, with the exception of Britni Barber and Frederick Cain. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Arnold, Verenda G	LA	07/01/04-12/31/04	\$ 13,200	\$14,000 (A)	Yes
Barber, Britni	LA	07/01/04-12/31/04	\$ 31,680	\$19,680	Yes
Betts, Margaret	LA	01/05/04-01/04/05	\$ 31,440	\$31,200	No
Cain, Frederick	LA	03/01/04-12/31/04	\$ 14,080	\$15,040 (A)	No
Cartwright, Melvin	LA	05/17/04-12/31/04	\$ 8,250	\$ 8,250	No
Dearing, Bert	BOR	02/16/04-12/31/04	\$ 9,800	\$ 9,200	DNR
Evans, Dante	LA	07/01/04-12/31/04	\$ 4,224	\$ 4,312 (A)	No
Holcomb, Camillien	LA	05/24/04-12/31/04	\$ 9,600	\$ 9,450	Yes
King, George	LA	05/24/04-12/31/04	\$ 8,000	\$ 7,725	Yes
Owens, Paulette	LA	06/10/04-12/31/04	\$ 25,437	\$25,437	Yes
Stigler, Patricia	LA	10/21/04-06/30/05	\$ 39,634	\$11,386	Yes
Warren, Lorraine	LA	08/02/04-06/30/05	\$ 14,400	\$ 6,300	No
Williams, Regalyn	LA	08/02/04-06/30/05	\$ 12,000	\$ 5,400	No

LA = Legislative Assistant - Assists council member

BOR = Board of Review member

DNR = Did not select for review

(A) = See City Council Human Resources Section of the Audit Report Finding #1

**Councilman Alonzo W. Bates Response
To the Auditor General Report
Dated June 29, 2005**

1. Contractor's Time Reports Contained inaccurate Information.

The problem here is that our office followed the procedures implemented by our first office manager, due to no direction from anyone in leadership position on Council. This procedure was to place all the time for contractors (office and field workers) within regular work hours (8:30 am to 5 p.m.). This is the procedure we adopted as long as the total hours worked was correct for our contractors we believed that the time sheet was valid.

If you study the time sheets you can see this is consistent with all contractors in the office and in the field, and we would have continued to use this practice had not this audit occurred. No one in leadership or in the personnel office ever stated to us that this procedure was incorrect. As a new City Council member, I assumed this to be the standard procedure and adopted this as the norm; not knowing that it would later be used to say this office was in violation. The consistently that was displayed in all contractors should be evidence enough that this was a standard procedure, not an attempt to produce false information.

2. Contractor was paid for Performing Campaign Related Work

This finding was based on one contractor's weekly report in which she listed work she had completed work relative to the year end campaign contributions report. When the contractor performed duties related to the campaign, she did so at her own discretion without the direction or knowledge of the Council Member. The employee who provided the information contained in this audit was unaware that her actions represented campaign related activities. The contractor is not qualified nor experienced in completing a year

- end contribution report. In an effort to stay clear of any violations, this office has always held separate records under the supervision of an off-site treasurer all campaign-related information. As a result of the contractor's actions all staff has been reminded that campaign related activity is not to be conducted during regular business hours and non-compliance will result in extreme disciplinary actions. The contractor stated she picked up the report, this was done on her way in to work, which should not be listed as time she was working for the Council Member. It also stated she dropped off the report, by the contractor's own statements she said that she dropped off this report during her lunch hour. The county clerk's office does not time stamp-received reports; they only date stamp. Due to the uncertainty of lunch times in the office and outside of the office our lunch periods and start times are fluid for our staff. The Council Member's campaign treasurer completed the report. The contractor only supplied information unavailable to the treasurer.

3. No Evidence of Work Performed for Six Contractors

One of the hardest assignments for our contractors to complete is the turning in of documentation to all events attended. This is one of the reasons for our high turnover rate in this office. Since we could not get the contractors to do this in an efficient manner, the Council Member adopted a method of receiving verbal reports at our weekly staff meetings. This has actually become an effective method of receiving information because employees know they will be asked to give a report weekly, so most of the time they come with information relative to their work to help in their presentation. Staff brought agendas and background information from the field for the Councilman to review. After the information was reviewed it was discarded. This is a method we adopted on our own due to a lack of procedures provided to newly elected Council Members.

COUNCIL MEMBER SHEILA COCKREL

Findings and Recommendations

There were no reportable findings.

List of Personal Services Contractors

The Council Member employed five personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Hendrix, Erin	LA	06/07/04-12/31/04	\$ 15,600	\$ 6,448	Yes
Jones, Celia	LA	07/01/04-12/31/04	\$ 11,616	\$ 10,912	Yes
Rafferty, Michael	LA	10/01/04-06/30/05	\$ 22,511	\$ 9,517	Yes
Thompson, Heather	LA	05/01/04-12/31/04	\$ 28,800	\$ 11,600	Yes
Williams, Clifton	BOR	02/16/04-12/31/04	\$ 9,800	\$ 9,200	DNR

LA = Legislative Assistant - Assists council member

BOR = Board of Review member

DNR = Did not select for review

COUNCIL MEMBER BARBARA-ROSE COLLINS

Findings and Recommendations

1. Contractors' Time Reports Contained Inaccurate Information

The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports. As a result, there is no attestation by the contractors that the hours were, in fact, worked.

We reviewed time reports for two personal services contractors and noted the following procedural findings.

- One contractor's time report was prepared and signed by the contractor. The other's was prepared and signed by Council staff.
- Our audit determined that personal services contractor hours worked per day were not accurately recorded on the time reports. For example, the contractors may work two hours one night and eight hours another day. However, the time reports would show four hours daily.

Although this finding is reportable, we consider it insignificant because, in our opinion, the evidence of work performed justifies the payments made to the contractors.

The City Council uses time reports to record the number of hours worked by contractors to facilitate the payment process. Personal services contractor payments are processed through the City's payroll system so that the withholdings can be made. Contractor prepared invoices, detailing dates worked and number of hours worked per day, could be utilized by Council staff to process payments through the City's payroll system. Finance Directive 50 – Standard Personal Services Contract allows for the use of invoices.

Best business practices recommend that contractors submit invoices for services performed which would include a description of services performed, dates worked, the number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the invoice. The Council Member responsible for the contract needs to review and sign the invoices to signify having verified that services and amounts billed are in accordance with the contracts and were actually delivered. The Council Member should not approve contractor invoices that are not in accordance with the contract or contain services and hours that were not provided.

We recommend that the:

- a. Council Member require time reports or invoices detailing a description of services performed or, when applicable, dates and number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the time report or invoice to certify the accuracy of the information.
- b. Council Member approve time reports or invoices after verifying that services, hours, and amounts billed are in accordance with the contract and were actually delivered. Contractor time reports or invoices that are not in accordance with the contract or include services and hours that were not delivered should not be approved for payment.

List of Personal Services Contractors

The Council Member employed three personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Cunningham, Eugene	LA	07/01/04-12/31/04	\$ 5,200	\$ 5,200	Yes
Holland, Robert	BOR	02/16/04-12/31/04	\$ 9,800	\$ 9,200	DNR
Maul-Brown, Portia	LA	07/01/04-12/31/04	\$ 6,240	\$ 6,192	Yes

LA = Legislative Assistant - Assists council member

BOR = Board of Review member

DNR = Did not select for review

City of Detroit
CITY COUNCIL

BARBARA-ROSE COLLINS
COUNCIL MEMBER

Memorandum

June 30, 2005

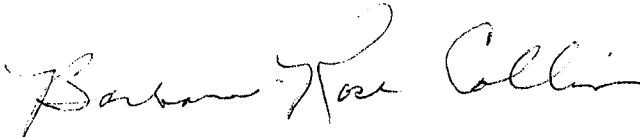
TO: Joseph L. Harris, Auditor General

FROM: Barbara-Rose Collins
Council Member

RE: Audit of Personal Services Contractors

I have met with the Auditor Generals' office regarding submission of time sheets for personal service contractors and agree that it would be more precise to submit an invoice for services rendered because of the flex time in their schedule.

If you have any further questions or concerns, please feel free to contact me at any time.



THE LATE COUNCIL MEMBER KAY EVERETT

Findings

1. Contractors' Time Reports Contained Inaccurate Information

The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports. As a result, there is no attestation by the contractors that the hours were, in fact, worked.

We reviewed time reports for eleven personal services contractors and noted the following:

- One contractor's time report was prepared and signed by the contractor. The other ten were prepared and signed by Council staff.
- Our audit determined that personal services contractor hours worked per day were not accurately recorded on the time reports. For example, the contractors may work two hours one night and eight hours another day. However, the time reports would show four hours daily.
- One contractor informed us that he primarily drove the Council Member Tuesday and Thursday evenings and on Sundays for community or church meetings, but his time reports usually reflected Friday (four hours), Saturday (eight hours) and Sunday (eight hours).

The City Council uses time reports to record the number of hours worked by contractors to facilitate the payment process. Personal services contractor payments are processed through the City's payroll system so that the withholdings can be made. Contractor prepared invoices, detailing dates worked and number of hours worked per day, could be utilized by Council staff to process payments through the City's payroll system. Finance Directive 50 – Standard Personal Services Contract allows for the use of invoices.

Best business practices recommend that contractors submit invoices for services performed which would include a description of services performed, dates worked, the number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the invoice. The Council Member responsible for the contract needs to review and sign the invoices to signify having verified that services and amounts billed are in accordance with the contracts and were actually delivered. The Council Member should not approve contractor invoices that are not in accordance with the contract or contain services and hours that were not provided.

2. No Evidence of Work Performed for Eleven Contractors

We could not determine whether the eleven personal services contractors provided appropriate services commensurate with reasonable expectations. Our audit determined that the evidence necessary to determine that the personal services contractors performed work in accordance with the contract, was disposed of after the Council Member's death. Although we interviewed all the contractors, only two of the Council Member's contractors provided us with evidence of work from their personal files.

List of Personal Services Contractors

The Late Council Member employed fourteen personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Canales, Gloria	LA	01/02/04-12/31/04	\$ 33,347	\$ 32,584	No
Everett, Walter L.	LA	01/02/04-12/31/04	\$ 20,960	\$ 19,270	No
Harris, Robert P.	LA	09/13/04-06/30/05	\$ 16,153	\$ 1,885	No
Humphrey, Hattie B.	LA	01/02/04-12/31/04	\$ 10,480	\$ 9,720	No
Jackson, Jacqueline	LA	01/02/04-12/31/04	\$ 17,562	\$ 16,864	No
Johnson, Modeira	LA	11/10/03-12/31/04	\$ 35,000	\$ 36,235 (A)	Yes
Leach, William	LA	03/14/04-06/30/05	\$ 19,554	\$ 7,607	No
Morreale, Michael A.	LA	01/02/04-12/31/04	\$ 20,960	\$ 20,720	Yes
Roberts, Harvey L.	LA	09/16/04-06/30/05	\$ 23,764	\$ 6,864	No
Robinson, Arese L.	LA	01/02/04-12/31/04	\$ 44,938	\$ 45,003 (A)	No
Sutton, Mary	BOR	06/01/04-12/31/04	\$ 1,600	\$ 1,000	DNR
Vela, Martha	LA	11/15/04-06/30/05	\$ 4,950	\$ 980	No
Waterhouse, Roger	LA	11/22/04-06/30/05	\$ 9,600	\$ 2,093	No
Wimberley, Kerwin A.	LA	01/02/04-12/31/04	\$ 57,430	\$ 57,951 (A)	No

LA = Legislative Assistant - Assists council member

BOR = Board of Review member

DNR = Did not select for review

(A) = See City Council Human Resources Section of the Audit Report Finding #1

COUNCIL MEMBER SHARON MCPHAIL

Findings and Recommendations

There were no reportable findings.

List of Personal Services Contractors

The Council Member employed seven personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review, with the exception of Martha Barlow who was out of the state at the time of our fieldwork. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Barlow, Martha	LA	10/01/04-12/31/04	\$ 6,000	\$ 5,089	Yes
Church, Sharon	LA	07/01/04-12/31/04	\$ 21,120	\$ 21,120	Yes
Frazier, Johnella	LA	06/07/04-12/31/04	\$ 24,000	\$ 20,800	Yes
Friday, Erecenia	LA	07/01/04-12/31/04	\$ 19,008	\$ 19,008	Yes
Lester, Loyce	BOR	02/16/04-12/31/04	\$ 9,800	\$ 9,200	DNR
Miller, Kimberly	LA	07/01/04-12/31/04	\$ 23,760	\$ 25,200 (A)	Yes
Squires, Deborah	LA	07/01/04-12/31/04	\$ 3,000	\$ 3,000	Yes

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(A) = See City Council Human Resources Section of the Audit Report Finding #1

COUNCIL MEMBER ALBERTA TINSLEY-TALABI

Findings and Recommendations

There were no reportable findings.

List of Personal Services Contractors

The Council Member employed five personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
Callender, Rohlann	LA	07/01/04-12/31/04	\$ 10,920	\$10,920	Yes
Henderson, Joyce H.	LA	03/29/04-03/28/05	\$ 50,000	\$45,152	Yes
Lacey, Brenda	LA	10/08/04-03/31/05	\$ 5,000	\$ 2,380	Yes
Strozier, Celestine	BOR	02/16/04-12/31/04	\$ 9,800	\$ 9,200	DNR
Whitfield, Kitty	LA	10/06/04-04/05/05	\$ 20,640	\$ 8,160	Yes

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COUNCIL MEMBER JOANN WATSON

Findings and Recommendations

1. Contractors' Time Reports Contained Inaccurate Information

The date/day and number of hours recorded on the time reports were not always accurate. As a result, there exists a high risk for payment errors and payment for work not performed by the contractors. In addition, contractors did not always sign their time reports. As a result, there is no attestation by the contractors that the hours were, in fact, worked.

The Council Member informed us that the contractors were hired on a fee for service basis. Their compensation was based on work product and not hours worked.

We reviewed time reports for seventeen personal services contractors and noted the following procedural findings.

- Council staff prepared and signed or printed the name of the contractors for all the contractor's time reports.
- Our audit determined that personal services contractor hours worked per day were not accurately recorded on the time reports. For example, the contractors may work two hours one night and eight hours another day. However, the time reports would show four hours daily.
- Some contractors provided consultant services with a specific deliverable. Based on our interviews, these contractors were intended to be paid a fixed fee for their services. Most of these contractor's time reports reported four hours daily totaling twenty hours per week for the contract period. Four of these contractors informed us that the time reports did not accurately reflect the hours worked. Two contractors informed us they were paid a fee for twenty hours per week even though they may have worked more or less hours. A fixed fee contract may have been a better payment method for these contractors. The contractors also asserted that they worked many more hours than reported because the understanding was that they were being paid for a particular deliverable rather than for working a particular number of hours.

Although this finding is reportable, we consider it insignificant because, in our opinion, the evidence of work performed justifies the payments made to the contractors.

The City Council uses time reports to record the number of hours worked by contractors to facilitate the payment process. Personal services contractor payments are processed through the City's payroll system so that the withholdings can be made. Contractor prepared invoices, detailing dates worked and number of hours worked per day, could be utilized by Council staff to process payments through the City's payroll system. Finance Directive 50 – Standard Personal Services Contract allows for the use of invoices.

Best business practices recommend that contractors submit invoices for services performed which would include a description of services performed, dates worked, the number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the invoice. The Council Member responsible for the contract needs to review and sign the invoices to signify having verified that

services and amounts billed are in accordance with the contracts and were actually delivered. The Council Member should not approve contractor invoices that are not in accordance with the contract or contain services and hours that were not provided.

We recommend that the:

- a. Council Member require time reports or invoices detailing a description of services performed, or when applicable, dates and number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the time report or invoice to certify the accuracy of the information.
- b. Council Member approve time reports or invoices after verifying that services, hours, and amounts billed are in accordance with the contract and were actually delivered. Contractor time reports or invoices that are not in accordance with the contract or include services and hours that were not delivered should not be approved for payment.
- c. Council Member negotiate a personal services contract with a fixed fee for contractors that provide a single deliverable.

List of Personal Services Contractors

The Council Member employed eighteen personal services contractors at December 6, 2004. We were able to interview all of the contractors selected for review. Following is a summary of our findings:

Name	Contracted Service	Contract Period	Contract Amount	Amount Paid	Work Documentation Provided
A-Alkebu-Lan, R.I. M.	LA	07/01/04-12/31/04	\$ 12,000	\$ 11,542	Yes
Barksdale, Omari	LA	07/01/04-12/31/04	\$ 12,000	\$ 11,542	Yes
Barlow, John	LA	09/13/04-12/31/04	\$ 12,000	\$ 11,318	Yes
Blake, Cordelia	LA	09/01/04-12/31/04	\$ 8,000	\$ 7,724	Yes
Bland, Matilda	LA	07/01/04-12/31/04	\$ 12,000	\$ 11,542	Yes
Brown, Charles	LA	07/01/04-12/31/04	\$ 18,000	\$ 11,360	Yes
Bruton, Joyce L.	LA	09/01/04-12/31/04	\$ 8,000	\$ 7,725	Yes
Fancher, Mark	LA	07/01/04-12/31/04	\$ 18,000	\$ 11,178	Yes
Heard, William	LA	07/01/04-12/31/04	\$ 12,000	\$ 11,451	Yes
Henderson, Erma L.	LA	07/01/04-12/31/04	\$ 12,000	\$ 11,360	Yes
Love, Helen	BOR	02/16/04-12/31/04	\$ 9,800	\$ 9,000	DNR
McPhail, Robin	LA	09/01/04-12/31/04	\$ 10,000	\$ 9,656	Yes
Mitchell, Wyoman C.	LA	07/01/04-12/31/04	\$ 3,000	\$ 2,840	Yes
Parker, Bunia	LA	09/02/04-12/31/04	\$ 8,000	\$ 7,813	Yes
Pope, Tom	LA	09/01/04-12/31/04	\$ 4,000	\$ 3,135	Yes
Porterico, Millard	LA	07/01/04-12/31/04	\$ 8,000	\$ 7,696	Yes
Tyler, Fannie	LA	07/01/04-12/31/04	\$ 12,000	\$ 3,820	Yes
Tyler, Henry	LA	09/01/04-12/31/04	\$ 4,000	\$ 3,499	Yes

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To: Mr. Joseph Harris, Auditor General
From: Jo Ann Watson
Date: July 1, 2005

Please find this communiqué in response to the "reportable findings" issued relative to your department's audit of independent contractors utilized by City Council Members. First of all, please note that in response to your findings I have already instructed all contractors to sign their own time sheets relative to the payroll computation process utilized bi-weekly by the human resources division. In addition, please Note that all of my contractors work hours well in excess of the 20 hours for which they are paid; and, further, all have completed "work products" or "deliverables" which affirm the quality, the substance and the satisfactory completion of the assignments identified at the inception of said contracts.

Detroit City Council Members have historically utilized independent contractors, as well as salaried staff, to conduct their legislative duties on behalf of Detroit citizen constituents. Independent contractors, by definition, are contracted for the purpose of fulfilling specific assignments and producing identifiable "deliverables" on behalf of the principal and the office said contractor represents.

Based upon industry & governmental practices, payments provided to independent contractors are not typically linked to "time sheets" but are more appropriately linked to the successful performance of prescribed functions and the receipt of deliverable goods and products stipulated at the inception of the contract as the scope of service.

To the degree that an independent contractor has adequately satisfied the dictates of the contract by fulfilling the scope of services required within the time frame specified by the administrator; and produces a work product which is a clear representation of the services rendered based upon the contractual standards established and agreed to by all parties; all legal and fiscal benchmarks relative to said contract have been met in accordance with normally acceptable accounting principles.

While salaried employees may have their compensation based on the record of time invested in a particular office or function, the

Page two

Independent contract agents are paid based upon their successful completion of assigned projects and the receipt of documented deliverables related to said contract.

Thus, a performance audit or evaluation of an independent contractor should not be based primarily upon the record of demonstrated time that can be tracked in a particular office; but on a record of demonstrated completion of projects and the delivery of products related to said contract within the time period specified on the contract.

Further, the sign-in sheets utilized by the human resources division of the Detroit City Council have simply facilitated the payroll computation process by treating salaried employees and independent contractors as if they were operating within the same universe. Technically, salaried employees are paid based upon verified time vested during a payroll period; while independent contractors should receive payment based upon verifiable products/deliverables as cited in their respective scope of services during a prescribed time period.

Thank you for the opportunity to respond.

CITY COUNCIL HUMAN RESOURCES

FINDINGS AND RECOMMENDATIONS

The City Council Human Resources staff is responsible for, among other duties, processing contractor time reports for payment. Following is a summary of our findings:

1. Contractors Paid More Than Contract Amount

The human resources staff did not always ensure that contractor payments did not exceed authorized contract amounts. The human resources staff paid seven of seventy-seven personal services contractors we reviewed, more than the total amount authorized per their contract. The seven contractors were paid a total of \$5,109 in excess of amounts authorized on the contracts that were in effect as of December 6, 2004.

Listed below are the contractors' names, contract period, contract amount, amount paid and overage. The amounts paid were based on hours reported on approved time reports.

Contractor Name	Contract Period	Contract Amount	Amount Paid	Overpayment
Arnold, Verenda G	07/01/04-12/31/04	\$ 13,200	\$ 14,000	\$ 800
Cain, Frederick	03/01/04-12/31/04	14,080	15,040	960
Evans, Dante	07/01/04-12/31/04	4,224	4,312	88
Johnson, Modeira	11/10/03-12/31/04	35,000	36,235	1,235
Robinson, Arese	01/02/04-12/31/04	44,938	45,003	65
Wimberly, Kerwin	01/02/04-12/31/04	57,430	57,951	521
Miller, Kimberly	07/01/04-12/31/04	<u>23,760</u>	<u>25,200</u>	<u>1,440</u>
Total		\$ 192,632	\$ 197,741	\$ 5,109

The contracts specify a maximum sum not to be exceeded for the life of the contract. For example, one contract states, "The City agrees to pay the Contractor for the services performed hereunder an hourly rate not to exceed **\$25.00** per hour, a daily rate not to exceed **\$XXXXX** per diem, and a maximum sum not to exceed **\$13,200.00** for the life of this contract."

Contracts are legal documents and total contractor payments should not exceed the total contract amount.

The human resources staff responsible for paying contractors overpaid the contractors. The human resources staff uses a manual system to track hours and amounts paid to the contractors. The human resources staff processed hours that exceeded the control totals for five of the seven contractors. The control total for the other two contractors were in error. Some pay periods overlap contract periods and many contractors receive advances until their contracts are formally approved. This complicates the tracking of payments made to contractors and increases the opportunity for overpayments.

We recommend that the human resources staff:

- a. Ensure that contractors are not paid more than the total contract amount.
- b. Notify Council members when hours submitted for payment exceed the contract authorization amount.

2. Contractor Paid for More Hours Than Hours on Time Reports

The human resources staff did not always ensure that contractors were not paid in excess of approved hours worked. As a result, the City paid one personal services contractor \$1,105 more than the total amount due per the time reports submitted.

The contract specifies the amount per hour the contractor is to be paid and the total amount of the contract. The human resources staff is responsible for ensuring that the contractor is paid the appropriate amount based on the time reports submitted, but not to exceed the amount of the contract.

The contractor was paid \$100,505 for 3,401 hours during the period May 26, 2002 to October 24, 2004. However, the contractor time reports for the period show 3,360 hours or \$99,400 due.

As noted in Finding 1. Contractors Paid More Than Contract Amount, the human resources staff responsible for paying contractors uses a manual system to track hours and amounts paid to the contractors. Some pay periods overlap contract periods and contractors receive advances until their contracts are formally approved. This complicates the tracking of payments made to contractors and increases the opportunity for overpayments.

We recommend that the human resources staff:

- a. Review time reports to ensure that contractors are not paid for more hours than approved by Council Members on the time reports.
- b. Collect the overpayment from the contractor.

3. Lack of Procedures for Reporting Contractor Hours Worked

The City Council has no written procedures for reporting personal services contractor hours worked. As a result, the personal services contractor time reports were not consistent among Council Members. As noted earlier in the report, Council Members did not always accurately record the time and number of hours worked for each date. Also, time reports were not handled consistently within the Council Members' offices.

The City Council uses time reports to record the number of hours worked by contractors to facilitate the payment process. Personal services contractor payments are processed through the City's payroll system so that the withholdings can be made. Contractor prepared invoices, detailing dates worked and number of hours worked per day, could be utilized by Council staff to process payments through the City's payroll system. Finance Directive 50 – Standard Personal Services Contract allows for the use of invoices.

Best business practices recommend that contractors submit invoices for services performed which would include a description of services performed, dates worked, the number of hours worked on each of those dates, hourly rate of pay, and total amount. In addition, the contractor should sign the invoice. The Council Member responsible for the contract needs to review and sign the invoice to signify having verified that services and amounts billed are in accordance with the contract and were actually delivered. The Council Member should not approve contractor invoices that are not in accordance with the contract or contain services and/or hours that were not provided.

We recommend that the:

- a. City Council develop procedures for accurately completing invoices or time reports.
- b. Procedures require that the:
 - Time reports or invoices detail a description of services performed or, when applicable, dates and number of hours worked on each of those dates, hourly rate of pay, and total amount;
 - Contractor sign the time report or invoice to certify the accuracy of the information; and
 - Council Member review and sign the time reports or invoices after verifying that services and amounts billed are in accordance with the contract and were actually delivered. Contractor time reports or invoices that are not in accordance with the contract or include services and hours that were not delivered should not be approved for payment.